



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0163	Title:	Revise tax incentives for motion picture industry
Primary Sponsor:	Cohenour, Jill	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
State Special Revenue	\$0	\$10,000	\$10,000	\$10,000
Revenue:				
General Fund	\$0	(\$50,000)	(\$100,000)	(\$150,000)
State Special Revenue	\$0	\$10,000	\$10,000	\$10,000
Net Impact-General Fund Balance	<u>\$0</u>	<u>(\$50,000)</u>	<u>(\$100,000)</u>	<u>(\$150,000)</u>

Description of fiscal impact: This bill would extend the film production credits through 2014. Credits are about \$200,000 per year, but credits for a tax year generally are paid out over several fiscal years.

FISCAL ANALYSIS

Assumptions:

- Under current law, the credits for film production in 15-31-901 through 911, MCA terminate January 1, 2010. This bill would extend the termination date to January 1, 2015.
- It is assumed that the labor tax credit of 14% and the expenditures tax credit of 9% remain the same.
- The number of film productions certified for the Big Sky on the Big Screen Act in 2007 was 15. This fiscal note assumes that there will be no growth to the level of production based upon Montana's current state incentive ranking of 32.

Department of Revenue

- The Department of Commerce estimates the money expended by the 15 productions in 2007 was \$2,818,000, with 53.5% for qualified film labor expenditures and 46.5% for qualified expenditures. The maximum credits to be claimed were \$329,002 ($\$2,818,000 \times 53.5\% \times 14\% + \$2,818,000 \times 46.5\% \times 9\%$).
- According to the Department of Revenue, the average amount of credits on approved applications for tax years 2006 and 2007 was about \$200,000. Due to late and inaccurate filings, credits are being paid out significantly after the tax year for which they are being claimed. This fiscal note assumes that credits for each tax year will continue to be about \$200,000, but will be paid out at about \$50,000 per year for four

years. Credits claimed in a given tax year would affect the following fiscal year and beyond, i.e., credits claimed for tax year 2010 would affect fiscal years 2011 through 2014.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Year 1	\$50,000	\$50,000	\$50,000	\$50,000				
Year 2		\$50,000	\$50,000	\$50,000	\$50,000			
Year 3			\$50,000	\$50,000	\$50,000	\$50,000		
Year 4				\$50,000	\$50,000	\$50,000	\$50,000	
Year 5					\$50,000	\$50,000	\$50,000	\$50,000
Total	\$50,000	\$100,000	\$150,000	\$200,000	\$200,000	\$150,000	\$100,000	\$50,000

6. Applicants for the credit are required to pay a \$500 application fee, which is divided equally between the Department of Revenue and the Department of Commerce to pay for administration of the credit. Application fees were \$10,075 in FY 2008. This fiscal note assumes that application fees will be \$10,000 per year. Application fees received in FY 2010 would have been received under current law, so additional fees would only be received in FY 2011 through FY 2015.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
Department of Revenue				
<u>Expenditures:</u>				
Operating Expenses	\$0	\$5,000	\$5,000	\$5,000
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$0	\$5,000	\$5,000	\$5,000
Department of Commerce				
<u>Expenditures:</u>				
Operating Expenses	\$0	\$5,000	\$5,000	\$5,000
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$0	\$5,000	\$5,000	\$5,000
<u>Revenues:</u>				
General Fund (01)	\$0	(\$50,000)	(\$100,000)	(\$150,000)
State Special Revenue (02)	\$0	\$10,000	\$10,000	\$10,000
TOTAL Revenues	\$0	(\$40,000)	(\$90,000)	(\$140,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	(\$50,000)	(\$100,000)	(\$150,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0

Long-Term Impacts:

1. Credits paid out are expected to peak at \$200,000 in FY 2014 and FY 2015, then decline to zero over the next several years following the 2015 sunset. Application fees of \$10,000 per year would be paid through FY 2015, but costs of administering the credit would continue until the last claims are settled.

Sponsor's Initials

Date

Budget Director's Initials

Date